

FISCAL NOTE
HB 2396 - SB 3061

February 12, 2004

SUMMARY OF BILL: Exempts members of the army national guard, army reserve, air national guard, air force reserve, naval reserve, marine corps reserve or coast guard reserve from payment of the sales and use tax on motor vehicles if the vehicle is sold to a Tennessee resident who has been performing active military service for at least one year.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$2,248,900
Decrease Local Govt. Revenues - \$553,600

Estimate assumes:

- A maximum deployment level of 4,424 national guard members and 4,000 reserve members. This is equivalent to the total number deployed in 2003.
- The percentage of guard and reserve members buying vehicles each year remains consistent with the number of guard members purchasing vehicles in 2003 (16.27%).
- The average price of vehicles purchased by guard and reserve members is \$16,829. This was calculated based upon 2003 data provided by the NADA. The average price of new vehicles was \$27,276 and the average price of used vehicles sold at franchised dealerships was \$13,347. Historically, new vehicles account for 25% of sales and used vehicles account for 75% of sales. Therefore, $(\$27,276 \times 25\%) + (\$13,347 \times 75\%) = \$16,829$.
- All 8,424 guard and reserve members deployed would be on active duty for a year or more.

For informational purposes, the total number of guard members who are potentially eligible for this exemption is 14,300. This estimate assumes that deployment numbers will not increase above 2003 levels. However, should this occur, the potential loss in state and local revenue could increase considerably.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge



James W. White, Executive Director